Department of Community Services

Nova Scotia
Housing Development Corporation

Annual Accountability Report
for the Fiscal Year 2003-04

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Accountability Statement

The Accountability Report of the Nova Scotia Housing Development Corporation (the Corporation) for the year- ended March 31, 2004, is prepared pursuant to the Provincial Finance Act and government policy and guidelines. These authorities require the reporting of outcomes against the Corporation's Business Plan information for the fiscal year 2003-04. The reporting of the Corporation's outcomes necessarily includes estimates, judgements and opinions by the Department of Community Services management.

We acknowledge that this Accountability Report is the responsibility of the Corporation's management. The Report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Nova Scotia Housing Development Corporation's Business Plan for the 2003-04 fiscal year.

Marian F. Tyson, Q.C.
President, Nova Scotia Housing Development Corporation
Deputy Minister, Department of Community Services

David M. Morse
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

Minister's / Deputy Minister's Message

We are pleased to present the Nova Scotia Housing Development Corporation's (NSHDC) Accountability Report for 2003-04. The Corporation and the Department of Community Services work together to provide safe, adequate, affordable and sustainable housing services for Nova Scotians.

Three significant milestones stand out for the fiscal year 2003-04, that we wish to highlight. These represent important building blocks in the province's overall housing strategy.

In October, a new property management system was implemented to support the work of the Corporation's seven regional housing authorities. This project, the *Information Technology Renewal Program*, won national recognition in the category of Change Management in Government, receiving the silver medal in the 2003 Gtech Competition. This award acknowledged the hard work and dedication of staff to continually improve the quality of service delivery. We take great pride in this recognition of staff of both the Department and the Housing Authorities.

In November, the province signed the Canada Nova Scotia Housing Renovation Programs Agreement. Under the Agreement funding for the federal/provincial cost-shared Residential Rehabilitation Assistance Programs was extended to the end of the 2006-07 fiscal year. Nova Scotia has both an aging housing stock and an aging population. The assistance provided by these home repair/adaptation programs is vital to ensuring that people are able to continue to live in and maintain their homes. Combined expenditures on these programs in 2003-04 was $8.7 M. This investment was used to rehabilitate and/or adapt 887 dwellings units and 100 beds in shelters.

Progress was also made with respect to providing more affordable housing. In December 2003 construction began in Halifax on semi-detached homeowner units in a designated area of urban revitalization in Halifax. This project received funding from the federal and provincial governments. In February 2004 the province approved $1 million in funding for the new home preservation program which enabled 26 low - to modest income homeowners to undertake major repairs to their homes. Another major step was taken in March with the call for proposals for the development of new

affordable rental housing projects. These units will provide affordable housing for singles, families, seniors and individuals with disabilities. We expect to begin to enter into agreements with successful proponents during the 2004-05 fiscal year.

These accomplishments represent major advances in meeting the housing needs of Nova Scotians. We will continue to build on these successes to ensure that low to modest income Nova Scotians have access to safe, adequate, affordable and sustainable housing.

Marian F. Tyson, Q.C.
President, Nova Scotia Housing Development Corporation
Deputy Minister, Community Services

David M. Morse
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

Introduction

The Corporation was created in 1986 to provide financing for the government's social housing programs. It is responsible for holding the Province's social housing assets and consolidating the revenues and expenditures associated with operating these assets.

It is governed by the ***Nova Scotia Housing Development Corporation Act***. The Minister of Community Services is the Corporation's chair, and the Deputy Minister of Community Services is the President. Staff of the Department of Community Services carry out all the activities of the Corporation but are not direct employees and receive no remuneration from the Corporation.

This Report is an accounting of the Corporation's activities and performance in 2003-04 with respect to the priorities and outcomes set out in the 2003-04 Business Plan. The priorities and performance measures flow from the Corporation's three strategic goals, which are consistent with and support Government's priorities.

- To foster healthy communities through housing
- To ensure a supply of safe, appropriate, affordable, and sustainable housing, and
- To optimize access to safe, appropriate, affordable, and sustainable housing.

The mission of Housing Services and the Corporation is ***to be a partner to Nova Scotians in fostering healthy communities through housing***.

To pursue this mission the Corporation's is engaged in several core businesses:

- Managing the province's social housing portfolio.
- Providing mortgage guarantees and/or financing to qualifying housing projects.
- Delivering the programs under the Canada Nova Scotia Affordable Housing Agreement and the Canada Nova Scotia Housing Renovation Programs Agreement.

In carrying out its business, the Corporation performs a number of roles, including those of land

owner, an administrator and a developer. The Corporation is the largest residential landlord in the province, owning 11,659 senior and family public housing units.

These units are administered and managed by seven regional housing authorities (RHA). The RHA's also administer the Rent Supplement Program (800 units) and the Rural and Native Housing Program of 659 rental units and 888 homeowner units. Combined these programs provide homes to approximately 30,000 Nova Scotians.

In 1997, under the terms of the 1997 Canada Nova Scotia Social Housing Agreement, the Corporation assumed responsibility for the administration of approximately 220 third-party operating agreements for non-profit and co-operative housing projects. These projects provide housing for approximately 9,000 households.

The Corporation also continues to own land for the development of new housing. In the past the Corporation has been a major player in the residential housing industry in the Halifax Metropolitan area through the development of major tracts of land it assembled in the 1970's and 1980's. Today's activities are very modest as the last remaining small parcels of land are being serviced and sold.

The remainder of this report is divided into three sections:

- Priorities and Accomplishments
- Financial Results
- Performance Measures

2003-04 Priorities & Accomplishments

Priority

Evaluate the housing programs administered under the 1997 Canada Nova Scotia Social Housing Agreement.

Accomplishment

Under the Canada Nova Scotia Social Housing Agreement, Nova Scotia must, every five-years, evaluate the social housing programs it administers. Developing an evaluation framework and then evaluating the program is a major undertaking. The purpose is to provide the Corporation, and the Department, with information on the performance, results and cost-effectiveness of the housing programs covered by the Agreement. The information will be used to develop processes for enhancing existing program management and services to the Corporation's clients.

A tender proposal to hire consultants to develop an evaluation framework and assist in evaluating the programs was released in July, 2004. It is anticipated that the evaluation framework will be complete in 2004-05.

Priority

Complete the implementation of the new property management system in the Housing Authorities and Housing Services. This new system will improve our operating efficiencies in administering current Housing Services programs, and it also presents an opportunity for Housing Services to expand its reporting capabilities.

Accomplishment

The new system has been implemented in all seven housing authorities. An in-house team, consisting of Departmental and housing authority staff, continues to monitor the implementation; resolve issues as they arise and to assist in on-going training. With this system in place the housing authorities

are better positioned to provide more timely administration and property management of the provincially owned public housing and rent supplement units. The latter are units in private or non-profit housing projects and the tenant pays a rent based on the household's total income with the province paying the landlord the difference between the tenant's rent and the average market rent for the area. In addition, as a result of the system's capabilities, the Corporation has transferred the administration of the Rural and Native Housing Program in Nova Scotia to the Cobequid Regional Housing Authority in Truro.

This initiative was awarded the silver medal in the 2003 Gtech Competition, in the category of Change Management in Government.

Priority

Provide a more integrated service delivery with other Department of Community Services' programs.

Accomplishment

In September 2003 the Department of Community Services began a restructuring initiative. This involved the creation of a Program Divisions which assumed responsibility for all the Department's programs including housing programs, employment support and income assistance, family and children's services and community supports for adults. In addition, Housing Services' regional office structure was integrated with Community Services' regional delivery system for family and children's services, employment support and income assistance, and community supports for adults. This restructuring will enable closer collaboration and integration between different areas, and better service for clients.

Priority

Increase the number of agreements with other government departments such as Health and other divisions within Community Services to construct Housing to enhance program delivery.

Accomplishment

During the year the Corporation provided approximately $11.8 M in financing to assist nine projects. These projects included:

- working with Annapolis Valley Health to provide financial assistance for a 15-bed overnight facility for people with relatives in the hospital;
- working with a nursing home to assist in financing renovations;
- working within Community Services with the Community Supports for Adults Program staff to provide facilities for their clients; and
- providing assistance for a 30-unit assisted living complex in Kings County.

Priority

Review the Corporation's reserves to ensure they are adequately funded to protect the Corporation from loss. This involves reviewing the financial stability of cooperative and non profit housing projects.

Accomplishment

A ranking model was developed to assist staff in monitoring the performance of the non-profit and co-operative housing projects that the Department administers. It will also assist in determining the level of risk these organizations may pose to the Corporation. The model has been fully implemented in all the regional delivery offices.

The model's use and progress will be monitored and any needed adjustments to the model will be made where necessary. With this model the Department is able to determine where it should focus its resources, as it relates to potential and existing risk factors.

Priority

Deliver the Canada Nova Scotia Affordable Housing Agreement program over the next five years.

Accomplishment

The Corporation and the Department have made visible progress in 2003-04 on the roll out and implementation of the new programs developed to deliver affordable housing under the Canada Nova Scotia Affordable Housing Agreement. In December 2003, Community Services, together with the Creighton-Gerrish Development Corporation, began the construction of semi-detached dwellings in Halifax. These units are being funded under the New Home Ownership Program and are located in a designated Urban Area of Revitalization.

In addition, activity began in two other new programs areas. In February, $1 M in funding was committed for the Homeownership Preservation Program which assisted 26 households to undertake extensive needed repairs to their homes. Then, in March 2004, the Department issued a request for proposals for up to 200 new affordable housing units under the new rental program. Staff are currently evaluating these proposals and seeking approval to enter into more detailed negotiations with proponents.

Financial Results – 2003-04

Table 1
Nova Scotia Housing Development Corporation
Revenue and Expenditures

	2003-04 Estimate	2003-04 Actual	Variance
Revenues			
Revenue from government sources	$72,250,000	$83,509,000	$11,259,000
Revenue from rents	$49,000,000	$49,438,000	$438,000
Revenue from Interest, Land Sales and other sources	$5,000,000	$3,089,000	($1,911,000)
Total Revenues	**$126,250,000**	**$136,036,000**	**$9,786,000**
Expenditures			
Interest on long term debt	$27,500,000	$28,949,000	($1,449,000)
Property management and operations.	$41,000,000	$44,612,000	($3,612,000)
Maintenance & capital improvements	$20,000,000	$24,206,000	($4,206,000)
Transfer to Housing Services	$25,000,000	$24,690,000	$310,000

Expenditures			
Amortization of investment in social housing	$10,000,000	$10,023,000	($23,000)
Administration fee and cost of land sold and provision for doubtful accounts	$2,750,000	$3,556,000	($806,000)
Total Expenditures	**$126,250,000**	**$136,036,000**	**($9,786,000)**

Comments on Variances Between Estimated and Actual Results for 2003-04

- **Revenue Variances**

1. Revenue from Government Sources - $11,259,000
   Due to the unbudgeted expenditures noted below under "Expenditure Variances."

2. Revenue from Interest, Land Sales & Other Sources - ($1,911,000)
   Lot sales from Millwood Development (100+ lots), approximately $3.2 M, were delayed and did not conclude in the year as expected. The Corporation did predict a shortfall of $1.3 M in the estimate/forecast for 2003-04 when compared to the 2002-03 actual amount for this item; however, actual sales were an additional $1.9 M less than forecasted due to the total affect of the $3.2 M delay in the sale of the lots. These sales are expected to be recorded in 2004-05.

- **Expenditure Variances**

1. Maintenance & Capital Improvements - ($4,206,000)
   Previous years commitments for Maintenance and Capital projects for public housing were expended this year and the balance of the funding requirements were not budgeted.

2. Property Management & Operations - ($3,612,000)
   Maintenance requirements for public housing were higher than normal due to $2.1 M in deferred maintenance from prior years that was carried out in 2003-04. Other operating, utility and miscellaneous cost increases account for the balance of $1.5 M of the total $3.6 M variance.

3. Costs due to provision of Public Service Awards; Expenditures on Information Technology

project; and new costs related to Housing Authority Support group administration and user fees.

Measuring Our Performance

Core Business

Manage the province's social housing portfolio.[1]

Performance Measure #1

Projection of the financial resources available to meet anticipated Canada Nova Scotia Social Housing Agreement expenditures.

What does this measure tell us?

This measure estimates the Corporation's ability to meet its program obligations under the Canada Nova Scotia Housing Agreement, assuming no modification to the existing arrangements in the Agreement which ends in 2035.

Under this Agreement, the annual federal funding for the federal/provincial social housing program was capped at 1995 levels and follows a pre-defined schedule with all the federal contributions ending in 2035.

Where are we now?

The Corporations' expenditures increased in 2003-04, while maintaining a positive balance in reserves necessary to protect the Corporation's financial position.

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[1] For clarity the core business has been revised. It was previously stated in the corporation's 2003-04 Business Plan as "Manage the Federal government's transfers for social housing as set out in the 1997 Canada Nova Scotia Housing Agreement."

Where do we want to be in the future?

The target for 2004-05 is to ensure existing programs operate within the funding available annually. The challenge for the Corporation is managing in an environment in which operating costs are increasing, opportunities to increase rents are limited, and federal contributions are declining.

Strategies to achieve the target include:

- Continue to monitor and pursue opportunities to improve operations and generate new revenues;
- Develop a strategic housing policy which better positions the Corporation to maximize its resources, and the Department to address the long-term housing needs of Nova Scotians; and
- conduct an evaluation of the housing programs under the 1997 Canada Nova Scotia Social Housing Agreement.

Core Business

Provide mortgage guarantees and/or financing to qualifying housing projects.[2]

Performance Measure #2

Number of qualifying housing projects receiving mortgage guarantees and/or financing assistance.

What does this measure tell us?

This measure indicates the number of qualifying projects the Corporation assisted through mortgage guarantees and/or financing assistance. Qualifying projects generally must meet at least one of the following criteria:

- Increase the supply of safe, affordable, appropriate and sustainable housing in Nova Scotia;
- Reduce the long term interest rate risk to the Province of Nova Scotia;
- Have an acceptable level of risk to the Corporation; and
- Reduce the long term financing costs to the Province of Nova Scotia.

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[2] For clarity the wording of this core business was revised in the Corporation's 2004-05 Business Plan. The wording used in the 2003-04 Business Plan was "provide low cost financing or Nova Scotia Housing Development Corporation ownership and lease arrangement to qualifying housing projects."

Where are we now?

2001-02 (Base Year)	2002-03	2003-04
1 Project	6 Projects	9 Projects

Financial assistance in the past year – approximately $11.8 M – helped 9 projects. These projects included, for example, financing for:

- Renovations to an existing nursing home;
- A 30 unit assisted living pilot project;
- A 15 bed overnight stay facility for people with relatives in a hospital, and
- Two leased properties for the Community Supports for Adults Program.

Where per diem funding is involved, this assistance helps to stabilize the agencies' on-going operating costs by protecting them from fluctuations in interest rates.

Where do we want to be in the future?

The target set for 2004-05 was a minimum of 3 housing projects per year. This target has been achieved in each of the past two years. Reaching this target involves continual effort to foster and pursue partnering opportunities with other departments and agencies.

Core Business

Manage the Corporation's housing portfolio to protect the Province from loss.[3]

Performance Measure #3

The percentage of co-operative and non-profit housing organizations that have adequately funded reserves.

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[3] Again for clarity the wording of this core business has been revised. In the 2003-04 business plan it was stated as "manage the funded reserves associated with provincial housing programs to protect the Province from loss from the corporation's direct and/or contingent liabilities relating to both the Province's housing services and to the Canada Nova Scotia Social Housing Agreement".

What does this measure tell us?

This measure indicates how many co-operative and non-profit housing organizations are in a balanced financial position and have sufficient revenue to meet all expenditures.

Non-profit and co-operative housing organizations provide approximately 3,100 self-contained dwelling-units. It is necessary to monitor the financial stability of these organizations to ensure that they are able to continue to provide, safe, affordable and sustainable housing.

Where are we now?

2000-01 (Base Year)	2001-02	2002-03	2003-04
62.5%	68%	71%	71%

Where do we want to be in the future?

For 2004-05, the Corporation aims to achieve a target of 75%. Since 2000-01 there has been steady progress in this area, increasing from 62.5% to 71%, at a time when, like all homeowners these organizations were faced with the rising cost of home heating fuel, and other price increases.

Initiatives undertaken to improve the financial position of the co-operative and non-profit housing organizations have included: working with others to provide training; developing a co-operative network to build capacity; increasing opportunities for information exchange; and working with individual organizations to assist and train management. This work will continue.

Core Business

Deliver the Canada Nova Scotia Affordable Housing Agreement Programs over the next five years.

Performance Measure #4

Affordable Housing Agreement funds committed to date on creating and renovating housing units.[4]

What does this measure tell us?

The measure indicates how much of the $37.26 million available under the Canada Nova Scotia Affordable Housing Agreement has been committed to creating or renovating housing units in Nova Scotia.

Under the terms of the Agreement the available funds must be committed by March 31, 2006. The Agreement represents an important step in support of Nova Scotians in need of affordable housing and it is an important piece of the province's housing strategy. Under the Agreement, the Province will work with its housing partners to create or renovate up to 850 - 1500 housing units.

Where are we now?

2002-03 (Base Year)	2003-04
Committed $750,000 for a 15-unit project in Middleton.	- Committed a combined $1.24 M. - This includes six semi-detached dwelling units under the New Home Purchase Program and $1 M to assist 26 households under the Home Preservation.

Where do we want to be in the future?

The target set for 2004-05 is to commit 60% of the funds available under the Agreement, with full commitment by the end of fiscal year 2005-06. Strategies to achieve this target include developing partnerships with community-based organizations, municipalities and the private sector to create or renovate housing units; developing existing land holdings or purchasing land for residential development; and purchasing multi-unit residential properties for rehabilitation and rental.

In March 2004, the Department on behalf of the Corporation issued a Request for Proposals (RFP) for affordable rental housing units. The proposals received are being reviewed by staff and it is

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[4] This was a new measure in 2003-04 and during the 2004-05 business planning process it was changed to provide greater clarity. The old wording of the measure was: "Percentage of the Affordable Housing Agreement funds spent to date on creating new affordable homes."

anticipated that during 2004-05 the Corporation will begin to enter into agreements for the construction of new affordable rental units. This activity will sharply increase the percentage of committed funds.

Core Business

Deliver the Canada Nova Scotia Housing Renovation Programs Agreement.

Performance Measure #5

Number of households assisted through funding made available under the Canada Nova Scotia Housing Renovation Programs Agreement.

What does this measure tell us?

This measure is calculated at the end of the fiscal year and includes all the units and beds improved under the federal/provincial assistance programs. This includes the suite of Residential Rehabilitation Assistance (RRAP) Programs – RRAP for Homeowner, RRAP for individuals with disabilities, Emergency Repair, the Home Adaptation for Seniors Independence (HASI) Program, RRAP for Rental and Rooming Houses, Conversion RRAP, and the Shelter Enhancement Program for emergency shelters.

Nova Scotia has an aging housing stock. In 2001, approximately 22% of all dwellings in Nova Scotia were built prior to 1946. The equivalent national figure is about 14%. In addition, the homes of almost one in five low income homeowners is in need of major repair. Based on the 2001 Census data, 25,550 homeowners in Nova Scotia earned less than $30,000 annually and spent 30% or more of their income on housing. Of these homeowners 19% (4,750) indicated that their homes were in need of a major repair.

Where are we now?

2002-03 (Base Year)	2003-04
1,258 units	887 units 100 beds

Where do we want to be in the future?

The target is to continue to maximize the benefits associated with housing repairs for those most in need, based on the funds available in each fiscal year. Historically all the available funds have been delivered in each year and this trend has continued.

The new Agreement incorporated changes in the RRAP programs. These changes emanated from the federal government's RRAP program review. Specifically the maximum amount of assistance was increased and the repayable loan portion of the program was eliminated. For example, the maximum assistance for a homeowner went from $12,000 to $16,000. The increase took into account the impact of inflation on the cost of materials and labour. It will enable applicants to undertake more repairs. This was a very positive step; however, since the program budget has not been increased, the per unit increase in financial assistance has meant that fewer households can be helped. Still those assisted can accomplish more with the assistance they receive.